

Message Text

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ACTION EB-07

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CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 IO-13

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C O N F I D E N T I A L OTTAWA 3024

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJ: CANADIAN VIEWS ON CIEC

REF: STATE 181094

1. EMBOFF MET JULY 22 WITH ERIC BERGBUSCH, DIRECTOR OF AID AND DEVELOPMENT DIVISION OF EXTAFF, AND WITH DAVID WRIGHT OF EXTAFF CIEC TASK FORCE TO DISCUSS GOC REACTIONS TO RECENT CIEC MEETING. ALTHOUGH BERGBUSCH SAID GOC WAS "STILL DIGESTING AND ANALYZING" MEETING, HE AND WRIGHT OFFERED FOLLOWING COMMENT ON VARIOUS ISSUES:

A. PERCEPTIONS OF MEETING. CANADIANS SEE BASIC PROBLEM IN DIFFERING PERCEPTIONS OF MEETING. WHEREAS MOST G-8 COUNTRIES THINK G-19 COUNTRIES ARE TRYING TO INFLUENCE RESULTS OF WORK PROGRAM THROUGH FORMULATION OF PREFUDICIAL LANGUAGE FOR PROGRAM, G-19 WANT ASSURANCE OF SOME POSITIVE RESULTS FROM CIEC AND SEE G-8 INSISTENCE ON NEUTRAL LANGUAGE AS
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INDICATIVE OF G-8 UNWILLINGNESS TO MAKE WORK PROGRAM

MEANINGFUL.

B. CRISIS OF CONFIDENCE. WITHIN G-19 THERE HAS DEVELOPED CRISIS OF CONFIDENCE IN CIEC USEFULNESS. THIS CAN PROBABLY BE TRACED IN PART TO OPEC MEMBERS WHO ARE NOW WONDRING WHAT BENEFITS CIEC HOLDS FOR THEM. DAVID WRIGHT SAID THAT HE SENSED THIS OPEC ATTITUDE WHILE ATTENDING PARIS MEETING; HE THINKS OPEC COUNTRIES ARE FEARFUL THAT CIEC WILL RESTRICT OPEC FREEDOM TO SET OIL PRICES AND WILL SUBJECT OPEC COUNTRIES TO PRESSURES FOR MORE FOREIGN AID CONTRIBUTIONS, WITHOUT COMPENSATING BENEFITS TO THEM. JAMAICAN REPRESENTATIVE, WHO WAS "HARD-LINE IDEOLOGUE" ACCORDING TO BERGBUSCH, ALSO HELPED FEED CRISIS BY HARANGUING OTHER G-19 COUNTRIES ON NEED TO STAND FIRM IN LIGHT OF UPCOMING NON-ALIGNED CONFERENCE AND G-77 MEETING.

C. OTHER OPEC ATTITUDES. HARDLINERS AMONG OPEC COUNTRIES (WRIGHT MENTIONED IRAN AND ALGERIA) WANT CIEC SOMEHOW TO ACKNOWLEDGE THAT CURRENT OIL PRICES ARE REASONABLE. THEY WANT NO MORE TALK BY G-8 LEADERS (SUCH AS SECRETARY KISSINGER) ABOUT THE NEED TO ROLL BACK PRICES. SUCH ACCEPTANCE OF CURRENT PRICES COULD SET STAGE FOR FURTHER "REASONABLE" PRICE INCREASES. HARDLINERS ARE SUSPICIOUS OF SAUDI ARABIA, WHICH THEY SEE AS MERELY STALKING HORSE FOR U.S. WHICH VALUES ITS BILATERAL RELATIONS WITH U.S. ABOVE ITS COMMITMENT TO OPEC.

D. DEBT RELIEF. IN BERGBUSCH'S OPINION, ALTHOUGH DEBT MAY BE GREAT PROBLEM FOR SOME LDC'S, DEBT RELIEF ISSUE PER SE IS NOT MAIN CONCERN OF MOST G-19 COUNTRIES. WHAT G-19 REALLY WANT IS ASSURANCE BY DC'S OF INCREASE IN AID FLOWS FROM INDUSTRIALIZED WORLD AND THEY ARE USING DEBT RELIEF ISSUE TO OBTAIN COMMITMENT FROM G-8 ON GREATER RESOURCE TRANSFERS. (IN DISCUSSION OF DEBT, IT WAS CLEAR THAT THERE IS DIFFERENCE OF OPINION WITHIN GOC ABOUT DEBT RELIEF WITH EX-TAFF OFFICIALS CHARACTERIZING FINANCE

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DEPARTMENT ATTITUDES AS OUTMODED AND OUT OF TOUCH WITH POLITICAL REALITIES.)

E. INDIVIDUAL COMMISSIONS. OVERALL PROGRESS IN COMMISSIONS WAS ABOUT THE SAME, BUT, ACCORDING TO BERGBUSCH, THERE WAS BETTER DIALOGUE AND BETTER LEADERSHIP IN DEVELOPMENT AND ENERGY COMMISSION AND THEREFORE DISCUSSIONS WERE ON HIGHER LEVEL AND

MORE MEANINGFUL. THEY SINGLED OUT STEVE BOSWORTH OF U.S. DEL AS BEING EXAMPLE OF ESPECIALLY EFFECTIVE CHAIRMAN. IN RAW MATERIALS COMMISSION, IT WAS EASY TO AGREE ON PROGRAM "WHICH DIDN'T MEAN ANYTHING" ACCORDING TO WRIGHT. THERE WERE FUNDAMENTAL PROBLEMS IN FINANCE COMMISSION BECAUSE OF ATTITUDES TAKEN BY CONSERVATIVE TREASURY OFFICIALS PRESENT (REFERENCE AGAIN MADE BY EXTAFF OFFICERS TO "UNFOUNDED FEARS" OF GOC FINANCE OFFICIALS WHO THINK THAT IF G-8 COUNTRIES MODIFY THEIR POSITION ON DEBT RELIEF, THIS OPENS A PANDORA'S BOX OF INTERNATIONAL TRADE AND FINANCE PROBLEMS, THE ULTIMATE RESULT OF WHICH COULD BE A BREAKDOWN IN COMMERCIAL DEBT PAYMENTS).

F. GOC ATTITUDES. IT IS GOC BELIEF, SAID BERGBUSCH, THAT WHEN CIEC "SHIFTED GEARS" FROM ANALYTICAL WORK AND MEMBERS' RECITATION OF PERSONAL VIEWS OF ECONOMIC CONDITIONS (AS IN FIRST SIX MONTHS OF 1976) TO MORE "ACTIVE" PHASE, THERE WERE BOUND TO BE PERIODS OF STRESS AND CLASH BETWEEN G-19 AND G-8. IMPORTANT POINT NOW IS "NOT TO PANIC" AND TRY TO OBTAIN CLEAR DEFINITION FROM PARTICIPANTS OF THEIR ATTITUDES AND ASPIRATIONS FOR CIEC. TO THIS END GOC HAS BEGUN BILATERAL CONSULTATIONS WITH PEREZ-GUERRERO AND WITH G-8 COUNTRIES. GOC WILL ALSO INITIATE BILATERAL CONSULTATIONS WITH G-19 COUNTRIES WITH VIEW TO FINDING WHAT DIFFERENCES EXIST AND WHICH COUNTRIES MAY BE DETERMINED TO "CLOSE DOWN DIALOGUE." PRELIMINARY INDICATIONS FROM SOME G-19 COUNTRIES ARE THAT THEY WANT TO POSTPONE DECEMBER MEETING FOR AT LEAST A MONTH IN ORDER TAKE ACCOUNT OF U.S. ELECTIONS AND POSSIBLE CHANGES IN USG POSITIONS. CONFIDENTIAL

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G. PEREZ-GUERRERO'S ROLE EXTAFF OFFICIALS INDICATED THAT PEREZ-GUERRERO HAD LITTLE FLEXIBILITY IN HIS DEALINGS WITH CANADIAN CO-CHAIRMAN MACEACHEN DURING CIEC MEETING. THEY EXPLAINED THAT WHEN MACEACHEN AND CANADIAN DELEGATION MET WITH PEREZ GUERRERO, HE WOULD BE ACCOMPANIED BY FOUR G-19 COMMISSION CO-CHAIRMEN AND TWO OR THREE OTHER G-19 MEMBERS. ON OTHER HAND, MACEACHEN WAS SUFFICIENTLY TRUSTED BY OTHER G-8 COUNTRIES TO UPHOLD THEIR POSITIONS, AND THEY DIDN'T DEMAND TO BE PHYSICALLY PRESENT WHEN PEREZ-GUERRERO/MACEACHED MEETINGS TOOK PLACE.

H. U.S. ROLE. IN ADDITION TO PRAISING WORK OF

STEVE BOSWORTH, EXTAFF OFFICIALS ALSO MENTIONED GOC SATISFACTION WITH EFFORTS OF WILLIAM ROGERS. THEY WERE GENUINELY APPRECIATIVE OF HIS COOPERATION AND ASSISTANCE. THEY EXPECT TO BE IN CLOSE CONTACT WITH BOSWORTH DURING COMING MONTHS.

2. SURFACING SEVERAL TIMES DURING DISCUSSION WITH BERGBUSCH AND WRIGHT WAS THEIR VIEW THAT "ENERGY MAY BE CRUX OF PROBLEM" AND THAT CERTAIN OPEC COUNTRIES ARE USING DEBT RELIEF ISSUE TO SHOW LDC'S THAT OPEC COUNTRIES ARE REALLY CONCERNED ABOUT THEIR POORER ASSOCIATES. IN REALITY, THESE OPEC COUNTRIES DO NOT FORESEE MUCH BENEFIT FOR THEMSELVES IN CIEC AND ARE NOT PARTICULARLY UNHAPPY ABOUT THE CURRENT IMPASSE.

3. REFTEL ARRIVED AFTER EMBOFF MEETING WITH EXTAFF OFFICIALS. FOLLOWING BOSWORTH/LEARY TELECON JULY 22, EMBASSY PREPARED PAPER BASED ON PARAS 2-4 AND 6-8 REFTEL WHICH IT PRESENTED TO EXTAFF OFFICIALS TODAY (JULY 23) WITH REQUEST THAT IT BE PASSED TO UNDER SECRETARY DUPUY ASAP SO THAT HE WOULD BE AWARE OF WHAT USG IS SAYING TO G-19 AND OTHERS IN G-8.
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